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October 29, 2002

Ms. Marlene Dortch, Secretary  
Federal Communications Commission  
445 12<sup>th</sup> Street, SW  
Washington, D.C. 20554

Re: ***Ex Parte*** Presentation, In the Matter of the Federal-State Joint Board on Universal Service, CC Docket Nos. 96-45, 98-171, 90-571, 92-237, 99-200, 95-116, 98-170 and NSD File No. L-00-72

Dear Ms. Dortch:

Sprint Corporation, pursuant to section 1.1206(b) of the Commission's Rules, 47 C.F.R. § 1.1206(b), hereby submits electronically an *ex parte* communication in the above-referenced proceedings.

Sprint would like to advise the Commission of its position with respect to new proposals which have been presented in recent weeks to reform the universal service contribution mechanism. Specifically, a methodology based on working telephone numbers has been proposed by The Ad Hoc Telecommunications Users Committee ("Ad Hoc") in its October 3, 2002 *ex parte* letter and by AT&T in its October 22, 2002 *ex parte* letter ("Numbers Proposal"), an interim plan has been espoused by the Cellular Telecommunications and Internet Association, Qwest Communications International, Inc., United States Telecom Association, Verizon Communications and Verizon Wireless ("Interim Proposal") in their October 25, 2002 *ex parte* letter, and a revised transition plan has been proposed by CoSUS in its October 15, 2002 *ex parte* letter.

Sprint continues to urge the Commission to adopt Sprint's connection-based "collect and remit" proposal as presented in the above-captioned proceedings which addresses the fundamental problems of the current methodology, including: the difficulty of properly allocating revenues from bundled offerings to the interstate jurisdiction; the inequity of applying the contribution factor to the international revenues of carriers that provide interstate and international long distance service while excluding the

international revenues of carriers that provide exclusively or predominantly international service; the exclusion of IP telephony from contributions; and the six-month revenue lag. In addition, Sprint's proposal avoids the flaw contained in both the CoSUS plan and the Numbers Proposal of unfairly burdening wireless carriers and their customers by imposing on them an immediate and dramatic increase in the amount of their payment into the fund.

The current methodology will be unsustainable after April 2003 when it will no longer be supported by the unused funds from the schools and libraries support mechanism, and it is therefore critical that the Commission take action immediately to replace it. Sprint therefore would like to inform the Commission that it also supports, conceptually, the Numbers Proposal, which has been briefly presented in the *ex parte* presentations of Ad Hoc and AT&T. The Numbers Proposal, which would apply flat charges to all working telephone numbers, would address many of the problems associated with the current methodology. This proposal would, however, increase significantly the amount paid by wireless customers. Sprint therefore urges the Commission to consider establishing the flat charge for wireless numbers at an amount equal to the current USF contribution from wireless industry (or the current contribution increased to reflect an appropriate level of interstate traffic) divided by the number of working wireless numbers. Alternatively, a three-year phase-in to the wireline rate would minimize the rate shock for wireless customers.

Sprint is deeply concerned by any continuation of a revenue-based methodology any longer than absolutely necessary. The Interim Proposal, under which the Commission would establish a contribution factor that would be applied uniformly by all carriers, would continue a revenue-based methodology. This proposal is somewhat better than the current methodology in that it would eliminate the six-month lag and it is based on a "collect and remit" system that Sprint supports because it would eliminate the need to mark up the USF line item charge for uncollectibles. However, it does not solve the fundamental problems of a revenue-based recovery mechanism. Given the fact that the re-examination of the assessment methodology began 1½ years ago, Sprint fears that the Interim Proposal, if adopted independently of a permanent methodology, could endure for an extended period. Therefore, Sprint emphasizes that if the Commission adopts the Interim Proposal, it should simultaneously adopt a final, non-revenue-based methodology which would become effective no later than January 1, 2004.

Sprint is opposed to the Transition Plan proposed by CoSUS because Sprint does not have the capability to apply a percentage-based charge to business customers who are billed by certain independent local exchange companies while not applying the charge to residential customers. These companies require the application of the same percentage for universal service fund recovery to all customers they bill on behalf of Sprint.

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Sprint is attaching hereto a more detailed summary of its position. Please contact me if you have any questions concerning Sprint's position presented in this submission.

Sincerely,

  
Marybeth Banks

Attachment

cc: Christopher Libertelli  
Bryan Tramont  
Jordan Goldstein  
Matthew Brill  
Dan Gonzales  
William Maher  
Carol Matthey  
Jessica Rosenworcel  
Eric Einhorn  
Diane Law Hsu  
Paul Garnett  
Vicki Byrd  
Narda Jones  
Sonja Rifken

## **SUMMARY OF SPRINT'S POSITION ON USF CONTRIBUTION/RECOVERY MECHANISMS**

### **Sprint continues to believe its original plan is superior to alternatives:**

- Sprint's per-connection methodology would solve the most important problems associated with the revenue-based methodology, including the difficulties associated with allocating a portion of bundled offerings to the interstate jurisdiction, the exemption of international-only carriers and carriers that carry 12% (or less) interstate traffic, the exemption of IP telephony and the six-month revenue lag.
- Sprint's proposal includes: (1) A per-connection charge levied by the carrier supplying the connection to the end user for all switched and dedicated connections to telecommunications, except for Lifeline customers, and (2) Wireless charge per phone based on current relative contribution of wireless industry to USF.
- The initial per-connection charge would be set at \$1.00 for residential and single-line business; multi-line business charge would be higher; and equivalence rates for high-capacity facilities would be applied.
- Per-connection charges would be adjusted periodically based on size of USF fund and number of connections.

### **If the Commission will not adopt Sprint's proposal, Sprint will support the concept of a methodology based on end user working telephone numbers ("Numbers Proposal").**

- The basis of the Numbers Proposal is fairly similar to that of the per-connection methodology advocated by Sprint and CoSUS and it resolves most of the issues associated with the current revenue-based methodology.
- Working telephone numbers (wireline + wireless) are increasing and would provide a sustainable base for assessment.
- Special access and private lines that do not have assigned telephone numbers would be assessed based on the capacity of their connections, in a manner similar to the CoSUS and Ad Hoc Telecommunications Users Committee proposals.
- Interexchange carriers will apply the charge to their toll-free and special access customers.
- Carriers can implement this approach relatively quickly.

**SUMMARY OF SPRINT'S POSITION ON  
USF CONTRIBUTION/RECOVERY MECHANISMS (continued)**

- Commission has jurisdiction over numbering resources.
- Ad Hoc objects to the “mark-up” for administrative costs. However, carriers should be compensated using a uniform safe harbor “mark-up” for the costs incurred to collect and remit the charges.

**The Numbers Proposal should be modified to develop a wireless per-number charge based on the current contribution of the wireless industry, increased to account for an appropriate safe harbor.**

- This calculation would be similar to the one for wireless in Sprint's phase-in proposal.
- Alternatively, there could be a three-year phase-in to the wireline rate.

**Sprint advocates the immediate implementation of a per-connection fee on all services except special access and private lines. However, if the Commission adopts an interim plan, it should simultaneously adopt a final, non-revenue-based methodology which should become effective no later than January 1, 2004.**

- CTIA/Qwest/USTA/Verizon Wireless/Verizon proposal should be considered only as an interim methodology which terminates January 1, 2004 or earlier, as it does not resolve the fundamental problems of a revenue-based methodology.
- FCC sets a contribution factor that must be applied uniformly, with an additional safe harbor % for administrative costs. Contribution base would be carrier-billed end-user revenues and would include an appropriate safe harbor allocation for wireless revenues, unless the wireless carrier can report its actual interstate revenue. Revenues from pre-paid cards, which are generally sold in stores, should be excluded.
- Carriers “collect and remit” with a carrier-specific % uncollectibles. Sprint recommends using the uncollectible rate used for tax purposes to avoid any manipulation of the rate.
- Benefits include the elimination of the six-month lag and a fixed collection rate based on “collect and remit.” In addition, a uniform rate will be applied to all customers' bills, thereby eliminating confusion resulting from different collection rates.
- Sprint opposes Verizon's proposal to include all broadband transport revenues in the base for schools and libraries fund, but exclude from high cost fund because the issue of requiring contribution from broadband Internet access services is currently before the FCC in the *Broadband NPRM*.

**SUMMARY OF SPRINT'S POSITION ON  
USF CONTRIBUTION/RECOVERY MECHANISMS (continued)**

- Sprint supports Verizon's proposal that CLECs should impute an amount equal to the federal Subscriber Line Charge charged by the ILEC in the CLEC's serving area.
- Sprint supports using an appropriate wireless safe harbor, as it will ease the transition for wireless customers and will provide a safe harbor which most carriers will use rather than calculating their own % interstate and raising a plethora of issues regarding proper calculation of the %.

**The Verizon/USTA interim contribution methodology should not become permanent methodology because it perpetuates the problems with the current revenue-based methodology, including:**

- Inability to rationally allocate flat charges for bundles of services.
- Exemption of international-only and primarily international carriers.
- Penalty of the six-month lag on carriers with declining revenues.
- Exemption of IP telephony from the revenue base.

**Problems with CoSUS Transition Plan:**

- CoSUS proposes the assessment of a \$1.00 per connection charge on residential and non-paging CMRS connections beginning April 1, 2003. Sprint would not be able to apply a percent-based charge to some of its small business customers which receive their Sprint bill from certain of the independent local exchange carriers because such carriers do not distinguish between residential and business customers. Until such restrictions are changed, Sprint must apply the same universal service charge to these business customers as it does to residential customers and cannot support an interim approach in which the per-connection charge would be applied to residential customers, while a percentage-based factor to business customers.
- Sprint urges the Commission to adopt a transition for CMRS customers to minimize rate shock.